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 25 SANDISK CORPORATION

26 UNITED STATES DISTRICT COURT

27 NORTHERN DISTRICT OF CALIFORNIA

28 SAN JOSE DIVISION

19 SANDISK CORPORATION,

20 No. C 07-03618 JF

21 Plaintiff,

REPLY BRIEF IN SUPPORT OF  
 22 SANDISK'S MOTION TO DISMISS

23 vs.

Date: November 30, 2007  
 Time: 9:00 a.m.  
 Location: Courtroom 3

24 LUCENT TECHNOLOGIES INC. and  
 25 ALCATEL-LUCENT, S.A.,

26 Defendants.

27  
 28 AND RELATED COUNTERCLAIM

1    **I. INTRODUCTION**

2               Lucent fails to present a single legitimate argument for denial of SanDisk's  
 3 motion to dismiss Lucent's counterclaim for infringement of the '080 patent. As discussed at  
 4 length in SanDisk's Reply In Support of Motion for Summary Judgment ("MSJ Reply"), there  
 5 exist no material issues of fact that preclude this Court from granting summary judgment for  
 6 SanDisk of non-infringement. As a result, SanDisk is entitled to dismissal of Lucent's  
 7 counterclaim pursuant to Fed. R. Civ. P. 12(b)(6).

8               Lucent also concedes that it currently lacks a legally protected interest in the '080  
 9 patent, thus mandating dismissal of its claim for lack of subject matter jurisdiction under Fed. R.  
 10 Civ. P. 12(b)(1).

11              Lucent's primary argument to the contrary is that, pursuant to its motion to stay,  
 12 which is not presently before the Court, and which has not even been fully briefed, the Court  
 13 should stay the case and thus deny SanDisk's motion. Lucent's argument for a stay can and  
 14 should be addressed at the December 21 hearing on Lucent's motion, not in response to  
 15 SanDisk's motion to dismiss.

16    **II. FACTUAL BACKGROUND AND ISSUES TO BE DECIDED**

17              The factual background of the parties, the patent and the procedural history are set  
 18 forth in detail in SanDisk's Motion for Summary Judgment (the "MSJ") at Section V. The issues  
 19 to be decided by this Court are set forth in SanDisk's Motion to Dismiss at page 2. To avoid  
 20 repetition, SanDisk refers the Court to and incorporates those facts by reference as if fully set  
 21 forth herein.

22    **III. ARGUMENT**

23    **A. The Undisputed Evidence Shows that SanDisk Does Not Infringe the  
 24 Patent**

25              **1. SanDisk Does Not Directly Infringe The '080 Patent**

26              As more fully set forth SanDisk's MSJ Reply and incorporated herein by  
 27 reference, Lucent has failed to demonstrate the existence of a genuine issue regarding SanDisk's  
 28 assertion that it does not directly infringe the '080 patent. See MSJ Reply at Section II(B)(1).

1 Every claim of the '080 patent requires that the accused device encode music files. MSJ at  
 2 Sections V(B), VI(C)(1); MSJ Reply at Section II(B)(1). Lucent concedes that none of  
 3 SanDisk's media players encode music files. MSJ Reply at Section II(B)(1). Accordingly,  
 4 dismissal of the counterclaim on the issue of direct infringement by SanDisk is warranted.

5 **2. SanDisk Does Not Indirectly Infringe The '080 Patent**

6 Likewise, no genuine issue of material fact exists regarding SanDisk's lack of  
 7 indirect infringement of the '080 patent. *See* MSJ Reply at Section II(B)(3). First, Lucent fails  
 8 to meet its burden of presenting evidence to create an issue of material fact as to the existence of  
 9 any direct infringement. *Id.* Second, Lucent concedes that SanDisk players play music encoded  
 10 in music file formats (such as WMA) and encoded by MP3 file encoders (such as Windows  
 11 Media Player) that do not infringe the patent. *Id.* Therefore, SanDisk players have substantial  
 12 non-infringing uses. Third, because Lucent presents no evidence of the existence of any encoder  
 13 that practices the patents, SanDisk cannot have intended for its customers to use an infringing  
 14 encoder. *Id.* As such, and as a matter of law, SanDisk cannot have had the requisite intent for  
 15 inducement. In these circumstances, SanDisk is entitled to judgment as a matter of law on the  
 16 issue of indirect infringement.

17 **3. Lucent's Counterclaim Should Be Dismissed Because  
 18 SanDisk Is Licensed To The Patent**

19 Again, Lucent does not dispute - and it cannot - that, under the *Microsoft*  
 20 Judgment, SanDisk is licensed to practice the '080 patent. *See* MSJ Reply at Section II(B)(2).  
 21 Lucent is collaterally estopped from arguing to the contrary. *See* MSJ Reply at Section II(C).  
 22 Therefore, the Court should find, as an alternative ground, that Lucent's Counterclaim be  
 23 dismissed because SanDisk is licensed to the '080 patent.

24 **B. There is No Subject Matter Jurisdiction Over Lucent's Counterclaim  
 25 Because Lucent Lacks Standing**

26 Lucent's opposition is further infirm because it concedes - as it must - that the  
 27 *Microsoft* Judgment is binding upon it, and that, pursuant to that Judgment, Lucent is not the sole  
 28 owner of the '080 patent. *See* MSJ Reply at Section II(B)(2). As a result, it lacks standing to

1 assert the counterclaim, and this Court lacks subject matter jurisdiction over it. *See* SanDisk's  
 2 Motion to Dismiss at Section III(B).

3 Contrary to Lucent's argument (Opp. at 3), dismissal of Lucent's counterclaim  
 4 does not require, or even support, dismissal of SanDisk's claim for declaratory relief. A case and  
 5 controversy remains regarding Lucent's assertion of the patent and SanDisk is entitled to  
 6 adjudication of that controversy. *See* MSJ Reply at Section II(A). Indeed, dismissal of the  
 7 counterclaim, if anything, supports summary judgment in favor of SanDisk on its declaratory  
 8 judgment claim related to the '080 patent because Lucent's allegation of infringement fails as a  
 9 matter of law.

**10 C. Lucent's Procedural Arguments Are Without Merit**

11 Lucent's arguments against application of collateral estoppel are addressed in  
 12 SanDisk's MSJ Reply at Section II(C), and incorporated here by reference. Lucent's primary  
 13 argument, that the Court should deny SanDisk's motion in favor of a stay of the case, are also  
 14 discussed in SanDisk's MSJ Reply at Section II(C), and will be addressed more fully by SanDisk  
 15 when SanDisk opposes Defendants' Motion to Dismiss or Stay, scheduled to be heard on  
 16 December 21, 2007. No stay is warranted. To the contrary, SanDisk is entitled to a resolution of  
 17 its rights now, especially as it continues to suffer prejudice from the cloud over its entire digital  
 18 music player product line caused by Lucent's assertion of its patents.

**19 IV. CONCLUSION**

20 For the foregoing reasons, SanDisk respectfully requests that this Court dismiss  
 21 Lucent's Counterclaim with prejudice.

22 DATED: November 16, 2007

23 Bingham McCutchen LLP

24

25 By: \_\_\_\_\_ /s/ Gregory L. Lippetz

26 Gregory L. Lippetz  
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 27 SanDisk Corporation

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